flood conditions were successfully overcome, and the mail was sped toward its destination without delay.

During World War II several useful adaptations to the airmail pickup system were devised. Grounded gliders were taken in tow by planes which were already airborne, thus giving our armed forces a new capability for swift mobility and flexible action. Individual personnel equipped with a special shock-absorbing harness were also snatched from the ground by low-flying planes, and gradually drawn up into the aircraft itself. This method was proven effective in evacuating wounded personnel from isolated combat areas under conditions of extreme emergency.

Positive benefit accrued to the people of the United States because of the development of the airmail pickup system—a system which was brought to fruition through experimentation and subsidy. This was done because Congress believed that such a program should go forward.

Naturally I feel there is a reluctance here to continue to subsidize the helicopter service in question because it is lodged in three large cities or metropolitan areas of the United States. I can well understand the desire to spread the benefits of the helicopter service. There should be no monopoly, and in this argument I agree with the astute Senator from Georgia [Mr. RUSSELL].

However, I wish to remind Senators that the President of the United States is a constant user of helicopters as was the late President Kennedy. I also remind Senators that new uses for the helicopters are being developed not only in commercial transportation but also in the military phase of this type of flight. Further, this service is being provided where it is most needed—in and around three of our large centers of population.

The committee is sound in its position, and after very careful study, I oppose the amendment offered by the Senator from Wisconsin.

Mr. MAGNUSON. Mr. President, will the Senator yield?

Mr. RANDOLPH. I yield.

Mr. MAGUNSON. The Senator from West Virginia has long been an ardent leader and supporter of aviation, both as a Member of Congress and when he was not in Congress.

When we speak about the lack of subsidies, we should consider the progress of the trunklines. It was necessary to subsidize them, and subsidize them heavily in some cases, much more than is proposed in this instance. In earlier days, we were engaged in developing aviation in the United States so that we might have the greatest commercial air transportation in the world. We now have it. But it was many years before the commercial airlines were able to operate without a subsidy. They had to become more efficient, to determine their routes, and to provide service for more people. They accomplished all those things as they expanded.

The whole question is whether we want to assist aviation to make progress. There are times when we should blow the whistle and stop; I understand that. But it was necessary to subsidize the airlines in the earlier days.

I look forward to the day, I hope not too far distant, when the local air transport services will be able to operate without subsidies. Nevertheless, I remember when the so-called trunklines were more heavily subsidized than are the helicopter services today, in order to enable them to get started. As a result, the United States today has the best airlines system in the world.

Mr. RANDOLPH. Mr. President, I appreciate the statement of the Senator from Washington. I remember when American Airlines, now one of the three or four largest scheduled air carriers in the world, was a fledgling. I recall when, in the 1930's, C. R. Smith came to me and spoke about the desire of his company to cross the State of West Virginia on its route from Cincinnati to Washington, D.C. I well remember when that small airline, a carrier that received a subsidy in its developmental period, came to West Virginia and provided air service at Charleston, Parkersburg, Clarksburg, and Elkins.

Today, C. R. Smith is chairman of the board of American Airlines, and is recognized as one of the truly constructive leaders in the development of our commercial air transport system. Under his capable guidance that company has prospered, and has expanded its service to include a much larger portion of our population.

American Airlines now serves our State only at the capital city, Charleston, through the Kanawha County Airport. The carrier removed itself from the other cities by an understanding or an agreement with the citizens of the community as well as with the Federal Government. Local service carrier would replace it and be able to provide an improved flight pattern, with additional flights, and more available seats. Subsidy in cases such as this has proven to be a wise investment in the future of our Nation.

The Senator from Washington speaks the truth. In periods of development, we must not throttle or stifle any phase of aircraft experimentation and use. Let us be Senators of vision and reality in the changing scope of air transportation.

FIRST ANNIVERSARY OF NUCLEAR TEST BAN TREATY

Mr. FULBRIGHT. Mr. President, today is the first anniversary of the signing of the limited nuclear test ban treaty, one of the notable events in contemporary world history.

Both in symbol and in substance the test ban treaty has proven to be a significant event in the trend of relations between the Soviet Union and the West. It marked a decision by both sides, albeit a tentative and even an uncertain decision, to take control of the haphazard tendencies of the cold war and to seek to guide the relations of the great nuclear powers toward peace and limited accommodation.

The significance of the test ban treaty is not that it has ended the rivalry between the Soviet Union and the free world, but that it represents a tentative agreement by both sides to conduct that rivalry by means less likely to lead to catastrophe than the competition in uncontrolled nuclear testing. The treaty further represents an acknowledgment by both sides that the conflict between them on a wide variety of issues is overriden by the common interest which they share with all other nations in the prevention of nuclear war.

It is, of course, possible that the limited agreements in various fields which have been concluded with the Soviet Union will be overturned, but it is worth noting that thus far these modest accommodations have been honored. There has been no breach of the test ban treaty in the past year, nor has there been any violation of the Antarctic Treaty in the 5 years since it was concluded for the purpose of excluding the cold war from the Antarctic Continent.

We are entitled on this first anniversary of the nuclear test ban treaty to take pride in the progress which has been achieved toward a more peaceful world order. We are further entitled to feel cautious optimism in the prospects for further limited accommodations which will result in the strengthening of the foundations of world peace.

A new psychological relationship between the Soviet Union and the West has been slowly and painfully evolving over the last few years. It is a relationship in which each has come to regard the behavior of the other as reasonably predictable, a relationship in which it has become possible for us to anticipate prudent if not benevolent behavior on the part of the Soviet leadership. It is to be hoped that this evolving tendency toward peace, symbolized by the limited nuclear test ban treaty, will continue to evolve until 1 day the great nations of the world are related to each other not merely by bonds of predictability but by bonds of confidence and friendship.

SECURITIES LEGISLATION

Mr. ROBERTSON. Mr. President, in July of last year, the Senate passed S. 1642, a bill framed by the Securities and Exchange Commission, and introduced by me, by request, to amend the Securities Acts, relating to securities traded in the over-the-counter market and to qualification requirements and disciplinary procedures for registered brokers and dealers. In passing that bill today, the House amended the provision relating to stock insurance companies, and made other relatively minor changes.

I have discussed the House changes in the Senate bill with Hon. William L. Cary, Chairman of the Securities and Exchange Commission, and with the Secretary of the Treasury, Hon. Douglas Dillon. Both are of the opinion that the importance of completing action on the major features of this bill before adjournment outweighs the differences that might honestly exist concerning the relative merits of the Senate and the House versions.

In view of the fact that tomorrow I shall move that S. 1642 be taken from the desk and that the Senate agree to the House amendments without a con-

ference, I now ask unanimous consent to have printed at this point in the RECORD a letter to me, dated August 5, from Hon. William L. Cary, Chairman of the Securities and Exchange Commission, in which he recommends that the Senate accept S. 1642 as amended by the House.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

SECURITIES AND EXCHANGE COMMISSION,
Washington, D.C., August 5, 1964.

Re S. 1642.

Hon. A. WILLIS ROBERTSON,
Chairman, Committee on Banking and Currency, U.S. Senate, Washington, D.C.

DEAR SENATOR ROBERTSON: The purpose of this letter is to respond to your letter of August 5, 1964, requesting our views with respect to the changes in S. 1642 which were made by the House of Representatives. We will refer to the bill in the form it passed the Senate as the Senate bill, and to the form in which it passed the House as the House bill.

As you know, the bill has two primary purposes: First, to extend the disclosure and other requirements of the Securities Exchange Act of 1934 to larger issuers whose securities are traded in the over-the-counter market; and, second, to provide improved qualification requirements and disciplinary procedures for registered brokers and dealers.

In the first area, that of disclosure by issuers, the House committee made two changes which we regard as significant. The first involves the treatment of foreign securities under the bill, and the second relates to the securities of insurance companies. With respect to qualifications and disciplinary proceedings, the significant changes made by the House involve the requirement of compulsory membership in a national securities association, and the registration of broker-dealers whose business is exclusively intrastate.

I. FOREIGN SECURITIES

With respect to foreign securities, section 3(c)(2) of the Senate bill exempted them from the requirements of the bill unless the Commission withdrew the exemption as to any class of issuers upon the basis of a finding that continued exemption is not in the public interest or consistent with the protection of investors. The House bill subjects foreign securities to the bill but authorizes the Commission to exempt any such securities if it finds that such exemption is in the public interest and is consistent with the protection of investors. Section 3(d) of both bills in addition grants to the Commission broad powers to exempt issuers or classes of issuers from any provisions of the bill.

In its report with respect to this change the House committee explained that its amendment simply reverses this exemption procedurally and that the Commission will have broad authority to deal flexibly with the problem. The committee further specifically pointed out that failure of a foreign issuer to comply with the provisions of the bill will not of itself mean that trading in the United States in the securities of such issuer will be illegal or for that reason give rise to civil liabilities on broker-dealers trading in the securities.

The Commission believes that in the light of the House committee report and the procedures available to it, it can work out any problems involving foreign issuers in a manner that will take into account the harm that could result to investors from the disruption of the trading markets, that will reflect the particular problems of foreign issuers, and that will provide significant benefits to American investors. As the House committee pointed out, the differences in the two bills are procedural. Under either approach, the substantive problems are the same and the determination of ultimate coverage is largely in the discretion of the Commission.

The House committee report makes it clear that the House bill provides the Commission with sufficiently broad authority to exempt any foreign security for which it would have allowed the initial exemption under the Senate bill to remain unrevoked.

If the approach to the House bill is adopted, the Commission will exempt all foreign securities for a period of at least 1 year. This temporary exemption would give the Commission time for further studies of foreign securities generally and to consider any problem with respect to any individual security or class or classes of securities. During the period of the temporary exemption, any foreign company, group of companies, or any interested person, such as a broker-dealer, could request that the temporary feature of the exemption be removed and present reasons why this should be done. The Commission would make appropriate findings and issue orders or adopt rules removing the temporary feature with respect to specific foreign companies or classes thereof. Thus, no foreign security would be covered until its issuer and other interested persons are given an opportunity to present their views. We believe that this approach to the foreign security problem is acceptable to the House, as indicated by the House report and by the discussion on the floor during the debate on the House bill.

In short, although we testified in favor of the approach in the Senate bill the Commission views the foreign securities provision in the House bill, especially when read in conjunction with the House report, as providing a reasonable and workable basis for dealing with the foreign securities problem.

II. INSURANCE COMPANIES

The Senate bill subjected the securities of insurance companies to the disclosure and other requirements in the same manner as the securities of other companies. The House bill exempts securities issued by insurance companies if all of three specified conditions are met. In substance these are that the insurance company file annual reports with the commissioner of insurance of its domiciliary State which conform to those prescribed by the National Association of Insurance Commissioners; that such insurance company be subject to regulation of proxy solicitation by its domiciliary State which conforms to that prescribed by such association; and that, after July 1, 1966, trading by officers, directors, and larger security holders of such company be subject to regulation by its domiciliary State substantially in the manner provided in section 16 of the Securities Exchange Act of 1934.

We understand that this change is the outgrowth of representations made to the House committee by State insurance commissioners to the effect that they would provide the necessary regulation in these areas and they believed that such regulation should be left to the States rather then undertaken by the Federal Government.

The Commission opposed this amendment before the House committee primarily upon the ground that the securities of insurance companies constitute an important segment of the over-the-counter market and there seemed no adequate basis for depriving investors in the securities of insurance companies of the same scheme of protection which is to be provided for the securities of other classes of companies.

The House committee, however, preferred to give the State insurance commissioners an opportunity to provide the necessary protection. If they are able and willing to do so, the objectives of the bill as to insurance companies will thereby be accomplished. If, in the light of experience, it should appear that adequate protection is not being provided through the medium of State regulation, as provided for in the House bill, the Congress can reconsider the question. The House bill, however, holds promise of achieving a workable approach to this problem.

III. COMPULSORY MEMBERSHIP IN REGISTERED SECURITIES ASSOCIATIONS

Section 6(a) of the Senate bill amended section 15(a) of the Securities Exchange Act of 1934 to require all registered brokers and dealers to be members of a registered national securities association. This was done because under section 7(a) of that bill the establishment of qualifications for entry into the securities business was to be accomplished through the medium of requirements by such associations, and also because the general scheme of the Securities Exchange Act and of the bills relies heavily upon self-regulation as a means of requiring adherence by brokers and dealers to appropriate standards of conduct and subjecting them to necessary disciplinary controls.

The House bill eliminates the requirement of membership in such associations. In lieu thereof that bill grants to the Commission, under three new paragraphs to be added at the end of section 15(b) of the Securities Exchange Act, power to prescribe qualifications for brokers and dealers who are not members of an association and for persons associated with such brokers and dealers, and additional rulemaking and regulatory authority over such nonmember brokers and dealers which is designed to be substantially equivalent to the authority which such associations have over their members. These provisions also require such nonmember brokers and dealers to pay to the Commission fees which are designed to defray the additional costs to be incurred by the Commission in prescribing qualifications, giving examinations, and performing the additional regulatory duties required of it with respect to such nonmember brokers and dealers. We understand that this change was made by the House committee in response to the request of certain broker-dealers, particularly certain large distributors of investment company shares who maintain their own sales forces and who are not presently members of such an association. These broker-dealers represented to the House committee that they strongly perferred to be regulated directly by the Commission rather than by associations whose members would include their competitors.

In testimony before the House committee the Commission opposed this change, primarily in deference to the achievements of self-regulation in the securities industry in raising and maintaining standards of conduct—in many cases above those required by law—and also because it believed that an extension of the existing framework of self-regulation was preferable to more intensive direct Government regulation of these particular brokers and dealers. On the other hand, we believe that the additional powers granted to us under the House bill will enable us to provide, as to these nonmember broker-dealers, standards and requirements comparable to those which will be established by national securities associations, and that we will thus be able to accomplish as to these brokers and dealers the essential objectives of the bill.

IV. EXCLUSIVELY INTRASTATE BROKERS AND DEALERS

The Senate bill would have repealed the existing exemption from the broker-dealer registration requirements of the Securities Exchange Act which is available to brokers and dealers whose business is exclusively intrastate. The House bill restored this exemption.